

**JEFFERSON COMMUNITY
HEALTH CARE CENTERS, INC.**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 25 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jefferson Community Health Care Centers, Inc.
Marrero, LA

Dear Board Members:

We have audited the accompanying Statement of Financial Position of Jefferson Community Health Care Centers, Inc. (a non-profit organization) ("JCHCC") as of December 31, 2011, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of JCHCC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JCHCC as of December 31, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the basic financial statements, JCHCC is subject to ongoing financial and compliance audits and investigations by State and Federal agencies or their designees. The determination of whether any instances of noncompliance or other possible findings that may ultimately result in remittance by JCHCC of any ineligible or disallowed costs and the resulting impact, if any, to JCHCC's financial position and results of operations cannot be presently determined.

As discussed in Note 12 to the basic financial statements, JCHCC recorded a prior period adjustment in 2011 related to a correction of an error that occurred in 2010 but was discovered in 2011. The error was related to accumulated depreciation. Had the error not been made, the net assets reported on the 2010 financial statements would have increased \$190,680.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2012 on our consideration of JCHCCs internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, LLC

March 21, 2012

FINANCIAL STATEMENTS

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,849,320
Patient and contracts receivable, net	1,710,234
Other current assets	<u>33,763</u>

Total Current Assets	<u>3,593,317</u>
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Non-Current Assets

Investment in LPC&A	92,000
Property and equipment, net of accumulated depreciation	<u>1,065,364</u>

Total Non-Current Assets	<u>1,157,364</u>
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Total Assets	<u><u>\$ 4,750,681</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 473,015
Accrued expenses	88,345
Bank loan	250,000
Deferred grant revenue	<u>173,750</u>

Total Current Liabilities	<u>985,110</u>
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Total Liabilities	<u>985,110</u>
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Net Assets

Unrestricted	<u>3,765,571</u>
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Total Net Assets	<u>3,765,571</u>
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Total Liabilities and Net Assets	<u><u>\$ 4,750,681</u></u>
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See accompanying notes to financial statements.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

UNRESTRICTED NET ASSETS

Public Support and Other Income

Program revenues	\$ 5,605,192
Contractual revenues	1,922,233
Other income	<u>12,256</u>

Total Public Support and Other Income	<u>7,539,681</u>
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Expenses

Program services	5,635,713
Supporting services	<u>989,795</u>

Total Expenses	<u>6,625,508</u>
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Increase in Unrestricted Net Assets	<u>914,173</u>
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Net assets at beginning of year, as previously reported	<u>2,660,718</u>
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Prior period adjustment - correction of an error	190,680
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Net assets at beginning of year, as corrected	<u>2,851,398</u>
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Net assets at end of year	<u>\$ 3,765,571</u>
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See accompanying notes to financial statements.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

Cash Flows from Operating Activities

Increase in net assets	\$ 914,173
Depreciation expense	211,534
(Increase) decrease in operating assets:	
Contracts receivable	47,326
Other assets	(1,280,494)
Increase (decrease) in operating liabilities:	
Accounts payable	63,951
Accrued expenses	(20,780)
Deferred grant revenue	(37,324)

Net cash used by operating activities (101,614)

Cash Flows from Investing Activities

Purchase of property and equipment (391,875)

Net cash used by investing activities (391,875)

Cash Flows from Financing Activities

Proceeds from bank loan 250,000

Net cash provided by financing activities 250,000

Net decrease in cash and cash equivalents (243,489)

Cash and Cash Equivalents, Beginning of Year 2,092,809

Cash and Cash Equivalents, End of Year \$ 1,849,320

**SUPPLEMENTARY DISCLOSURE OF NONCASH
INFORMATION:**

Interest paid \$ 7,094

See accompanying notes to financial statements.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>TOTAL</u>
Salaries and fringe benefits	\$ 3,106,096	\$ 827,403	\$ 3,933,499
Contract labor and services	892,160	86,974	979,134
Bad debt expense	404,258	-	404,258
Supplies	253,479	924	254,403
Depreciation expense	211,534	-	211,534
Telephone and utilities	139,644	300	139,944
Repairs and maintenance	132,290	-	132,290
Travel and professional	71,457	45,564	117,021
Rent and leasing	88,835	5,094	93,929
Marketing and advertising	72,075	3,955	76,030
Information technology	67,351	440	67,791
Office expense	40,703	373	41,076
Insurance	39,507	-	39,507
Dues and subscriptions	17,312	15,300	32,612
Security services	21,470	-	21,470
Banking fees and service charges	20,742	315	21,057
Equipment	10,183	-	10,183
Licenses	9,681	-	9,681
Community outreach	5,679	3,191	8,870
Postage and printing	8,392	16	8,408
Property taxes	8,145	-	8,145
Interest expense	7,094	-	7,094
Patient refunds	3,632	-	3,632
Staff recruiting	3,481	-	3,481
Patient transportation	293	(55)	238
Miscellaneous expense	220	1	221
Total Expenses	<u><u>\$ 5,635,713</u></u>	<u><u>\$ 989,795</u></u>	<u><u>\$ 6,625,508</u></u>

See accompanying notes to financial statements.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Jefferson Community Health Care Centers, Inc. ("JCHCC") is a non-profit organization organized under the laws of the State of Louisiana. Its mission is to provide healthcare services, including medical, mental health, optometry, dental, and social services to underinsured and uninsured citizens of Jefferson Parish, Louisiana. JCHCC has three (3) locations: Avondale, Marrero, and River Ridge, Louisiana. Each location is considered a federally qualified health center.

Basis of Accounting

JCHCC's financial statements are prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred.

Public Support and Revenue

JCHCC receives its support primarily from federal, state, and local governmental agencies. Revenue is recorded on the accrual basis as they are received, and allowances are provided for receivables that are estimated to be uncollectible. Revenues are considered available for unrestricted use unless specifically restricted by the grant. Grants which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Grants whose restrictions are met in the same reporting period are reported as unrestricted support.

Receivables that are considered uncollectible are written-off. The allowance for uncollectible accounts is an amount management believes will be adequate to absorb receivables that may become uncollectible based on historical trends and economic conditions.

Deferred Revenue

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

Functional Expenses

The cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Improvements which significantly extend the useful life of an asset and purchases of furniture, fixtures and equipment in excess of \$5,000 are capitalized. The straight line method of depreciation is used for the assets owned by JCHCC. Useful lives of furniture and equipment is between 5-10 years and leasehold improvements is 10 years.

Income Taxes

JCHCC is a tax exempt organization under Internal Revenue Code Section 501(c)(3) and as such is not subject to income tax. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by JCHCC and recognize a tax liability if JCHCC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by JCHCC, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a tax liability or disclosure in the financial statements. JCHCC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. JCHCC's open audit periods are 2008 – 2010.

Cash and Cash Equivalents

Cash is comprised of cash on hand and in banks. JCHCC considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Investment in Louisiana Partnership for Choice and Access, LLC

JCHCC uses the cost method to account for its 4.69% investment in the partnership. Under the cost method, JCHCC recognizes its share of the earnings and losses of the partnership as they are realized. JCHCC entered the partnership in 2009 with a cash investment of \$92,000. The balance recorded in the Statement of Financial Position represents the cost of the investment as of December 31, 2011.

Basis of Presentation

JCHCC follows the provisions of Not-For-Profit Entities Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and classification of resources into separate categories of net assets, as follows:

- Unrestricted - Net assets which are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by JCHCC is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of JCHCC pursuant to such stipulations.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Permanently Restricted - Net assets whose use by JCHCC is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of JCHCC.

Subsequent Events

JCHCC has evaluated subsequent events through March 21, 2012, which is the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2011, cash and cash equivalents consisted of deposits with financial institutions with carrying balances of approximately \$1.9 million. These deposits are secured from risk by \$250,000 for interest bearing accounts from the Federal Deposit Insurance Corporation (FDIC). The Dodd-Frank Act provides temporary unlimited coverage on amounts in non-interest bearing accounts through December 31, 2012. At December 31, 2011, JCHCC had cash deposits in excess of federally insured limits of approximately \$650,000.

NOTE 3 -CONCENTRATION OF CREDIT RISKS

JCHCC receives a significant majority of its revenue from contracts with governmental agencies, primarily the U.S. Department of Health and Human Services. If significant adverse changes are made at the Federal, State, and/or local level regarding the use of community health care centers to provide services to indigent and underinsured patients, the amount of contract revenue that JCHCC receives could be significantly reduced. This could have an adverse impact on JCHCC's operations, its financial position and results of operations.

NOTE 4 - PATIENT / CONTRACTS RECEIVABLE

At December 31, 2011, accounts receivable includes patient and contract receivables. JCHCC uses grant funds to supplement revenues for indigent patient care. Patient and contract receivables are evaluated for collectability by management on a periodic basis. Management estimates an allowance for uncollectible accounts to absorb receivables that are anticipated to become uncollectible. The allowance for uncollectible accounts at December 31, 2011 is \$1,191,606. Receivables that were considered uncollectible by management and written-off during the year ended December 31, 2011 were \$404,258.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2011

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

Furniture, fixtures, and equipment	\$ 1,030,809
Leasehold improvements and construction in process	348,157
Land	251,697
Less accumulated depreciation	<u>(565,299)</u>
Property and equipment, net	<u>\$ 1,065,364</u>

Depreciation expense was \$211,534 for the year ended December 31, 2011.

NOTE 6 - ADVERTISING EXPENSES

JCHCC uses advertising to promote the operations of its clinics and the costs associated with advertising are expensed when incurred. Advertising and marketing expenses for the year ended December 31, 2011 were \$76,030.

NOTE 7 - BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board. Therefore, no compensation was paid to any Board member during the year ended December 31, 2011.

NOTE 8 - IN-KIND CONTRIBUTIONS

JCHCC has three (3) locations in which it provides services. The leases for the premises located in Avondale and River Ridge, Louisiana are Cooperative Endeavor Agreements between JCHCC and West Jefferson Medical Center (WJMC). WJMC allowed JCHCC to occupy the premises rent free for the purpose of operating its independent outpatient medical clinics. Additionally, JCHCC has entered into a Cooperative Endeavor Agreement with the Parish of Jefferson, Louisiana, rent free for its third location in Marrero, Louisiana.

JCHCC is unable to determine a value of these in-kind contributions as of the date of this report.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2011

NOTE 9 – POSSIBLE INELIGIBLE, DISALLOWED AND QUESTIONED COSTS

JCHCC is subject to financial and compliance audits and investigations by State and Federal agencies or their designees. The determination of whether any instances of noncompliance or other possible findings that may ultimately result in remittance by JCHCC of any ineligible or disallowed costs and the resulting impact to JCHCC's financial position and results of operations cannot be presently determined.

The Louisiana Legislative Auditor issued a Compliance Audit Report dated January 27, 2010 on JCHCC. The report addressed the 2007 Cooperative Agreement between JCHCC and West Jefferson Medical Center as well as a review of public funds expended by JCHCC since its inception in 2004. The report contains significant findings, including possible violations of State Law, inadequate internal accounting controls, and various compliance findings. The findings contained in this report have been or are in the process of being addressed by management and considered in our audit of the accompanying 2011 financial statements of JCHCC. A full copy of the Compliance Audit Report and management's response to the findings can be found at www.lja.la.gov. The Louisiana Legislative Auditor is conducting another compliance audit of JCHCC. The nature and timing of such audit and any possible findings is unknown as of the date of our report.

NOTE 10 – RENT EXPENSE

During the year ended December 31, 2011, JCHCC had rent and leasing expense related to its medical and administrative office space and for offsite storage for \$93,929.

NOTE 11 – LINE OF CREDIT

JCHCC had an unsecured line of credit with a bank bearing interest at a fixed annual rate of 4.75% with no outstanding balance as of December 31, 2011; the total credit line is \$200,000. No interest was paid on the line of credit in 2011.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

JCHCC recorded a prior period adjustment in 2011 related to a correction of an error that occurred in 2010 but was discovered in 2011. The adjusting entry was related to an error in accumulated depreciation, and was charged to beginning unrestricted net assets. Had the error not occurred, the net assets reported on the 2010 financial statements would have increased \$190,680.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2011

NOTE 13 – BANK LOAN

In March 2011, JCHCC entered into a bank loan of \$250,000. JCHCC pays interest on the loan at a variable rate. As of December 31, 2011, the interest rate was 3.285%, and JCHCC has paid \$6,189 in 2011 in interest on such loan. The loan was entered into to purchase property in Avondale, Louisiana for use as a future location. The loan is collateralized by the property. JCHCC was given an extension until June 18, 2012 on the \$250,000 loan.

NOTE 14 – SUBSEQUENT EVENT

JCHCC is planning to construct a new building for its Avondale, Louisiana location. In 2010, JCHCC paid a deposit of \$5,000 on the land for the proposed building. In February 2011, JCHCC obtained a bank loan (Note 13) for \$250,000 at a variable interest rate to pay the remaining balance on the land of \$250,000. On March 29, 2012, JCHCC secured financing from a bank for the remaining \$1,174,489 needed for the construction through a Line of Credit of \$1.5 million. The Line of Credit calls for an interest rate of LIBOR plus 2.008 percentage points with a maturity date of April 1, 2013. The Line of Credit is secured by JCHCC's deposits at the bank, along with interests in both present and future real property of JCHCC. Estimated completion date for the building is late 2012.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Directors
Jefferson Community Health Care Centers, Inc.
Marrero, LA

We have audited the basic financial statements of Jefferson Community Health Care Centers, Inc. (a non-profit organization) ("JCHCC") as of and for the year ended December 31, 2011, and have issued our report thereon dated March 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered JCHCC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JCHCC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of JCHCC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of JCHCC's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule of Findings

and Questioned Costs as item 11-1 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether JCHCC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 11-2 through 11-3.

JCHCC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit JCHCC's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of JCHCC's management, Board of Directors, others within JCHCC, the Legislative Auditor of the State of Louisiana, federal awarding agencies and federal flow through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

March 21, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Jefferson Community Health Care Centers, Inc.
Marrero, LA

Compliance

We have audited Jefferson Community Health Care Centers, Inc. (a non-profit organization) ("JCHCC") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of JCHCC's major federal programs for the year ended December 31, 2011. JCHCC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of JCHCC's management. Our responsibility is to express an opinion on JCHCC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JCHCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of JCHCC's compliance with those requirements.

In our opinion, JCHCC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of JCHCC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered JCHCC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of JCHCC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of JCHCC as of and for the year ended December 31, 2011, and have issued our report thereon dated March 21, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

JCHCC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit JCHCC's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of JCHCC's management, Board of Directors, others within the organization, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass through entities and is not intended to be and should not be

used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

March 21, 2012

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

<u>Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services: Health Resources and Services Administration	93.224	\$1,881,184
U.S. Department of Health and Human Services: ARRA Grants	93.703	284,339
U.S. Department of Health and Human Services: Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	<u>647,239</u>
Total Expenditures of Federal Awards		<u>\$2,812,762</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the revenues from federal awards of JCHCC as defined in Note 1 to JCHCC's basic financial statements. All federal awards were received directly from Federal agencies.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of JCHCC and is presented on the accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenues are reported in JCHCC's basic financial statements as program revenues.

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards are derived from revenues as expenditures related to federal financial reports were not available.

NOTE 5 - FEDERAL AWARDS

Federal awards do not include JCHCC's operating income from rents or income from investments (or other non-federal sources).

NOTE 6 - POSSIBLE INELIGIBLE, DISALLOWED AND QUESTIONED COSTS

JCHCC is subject to audit(s) and investigation(s) by State and Federal agencies or their designees for compliance with contractual and programmatic requirements with regard to funding provided to JCHCC. The determination of whether any instances of noncompliance that will ultimately result in remittance by JCHCC of any ineligible or disallowed cost cannot be presently determined.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unqualified opinion with an explanatory paragraph on the financial statements of Jefferson Community Health Care Centers, Inc. (JCHCC).
2. Control deficiencies were disclosed by the audit of the financial statements: Yes
Material weaknesses: No
3. Noncompliance which is material to the financial statements: No
4. Control deficiencies over major programs: No
Material weaknesses: No
5. The type of report issued on compliance for major programs: unqualified
6. Major programs: Department of Health and Human Services – Health Resources and Services Administration, CFDA Number 93.224; ARRA Grants, CFDA 93.703; and Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations, CFDA Number 93.779.
7. The threshold for distinguishing between Type A and Type B programs was \$300,000.
8. JCHCC did not qualify as a low-risk auditee.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2011

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCY:

Finding 11-1 Accounts Payable

Criteria:

Expenses should be recognized as incurred instead of when they are invoiced.

Condition:

JCHCC is recognizing expenses when they are invoiced instead of when the expense is incurred. As a result, approximately \$30,000 of accounts payable were not recorded as of yearend.

Cause:

A lack of formal policies and procedures regarding year end accruals.

Effect:

Improper recognition could lead to understated expenses and related liabilities at the end of a reporting period.

Recommendation:

JCHCC should adopt formal policies and procedures related to accounts payable accruals and year end cut-off.

Response:

The Chief Financial Officer has instructed the Accounts Payable Specialist to record invoices based on the service/receipt of goods date instead of the invoice date. This modification will recognize the expense when incurred.

The Senior Accounting Manager and Chief Financial Officer will review accounts payable to determine if the proper accruals have been recorded.

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

Finding 11-2 Retainer Fees

Criteria:

Louisiana State Constitution of 1974, Article 7, Section 14(A) states in part that the funds, credit, property, or things of value of the State or any political subdivision shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. The Louisiana Attorney General has issued several opinions stating that retainers possibly violate this section of the State Constitution.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2011

Condition:

JCHCC paid retainers fee of \$92,000 in 2011 on a professional services contract with its attorney, thereby constituting a possible loan of public funds and therefore, a possible violation of the Louisiana State Constitution. This practice was stopped in November of 2011.

Cause:

JCHCC signed a professional service contract which required a retainer fee without knowledge of any possible legal restrictions.

Effect:

JCHCC is in possible violation of the State Law.

Recommendation:

Management should negotiate contracts without retainer fees.

Response:

JCHCC's management and Board of Directors have been informed of Louisiana State Constitution of 1974, Article 7, Section 14(A) and will no longer sign professional services contracts which require a retainer fee.

All JCHCC contracts are currently under review and revision for compliance with Louisiana State Constitution of 1974, Article 7, Section 14(A) and all other State and Federal regulations.

Finding 11-3 Deposit Collateral

Criteria:

Louisiana Revised Statute 39:1225 requires that the security for deposits at all times be equal to one hundred percent (100%) of the amount of collected funds on deposit to the credit of each depositing authority, except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

The Dodd-Frank Act provides temporary unlimited coverage on amounts in non-interest bearing accounts through December 31, 2012.

Condition:

We noted that the bank deposits of JCHCC at December 31, 2011 were uncollateralized by approximately \$650,000.

Cause:

JCHCC did not proceed with plans to secure their funds with their fiscal agent.

Effect:

JCHCC is in violation of State law. (Louisiana Revised Statute 39:1225)

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2011

Recommendation:

Management should negotiate a contract with its fiscal agent stipulating that deposits must be fully insured or collateralized.

Response:

JCHCC's Finance Chairperson and its Chief Financial Officer are currently researching and interviewing financial management firms and will present a cash management plan to the Board of Directors by June 30, 2012 that will be in compliance with Louisiana Revised Statute 39:1225.

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2011

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None noted

JEFFERSON COMMUNITY HEALTH CARE CENTERS, INC.
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2010

- 10-01 Fixed Asset Schedule Not Adequately Maintained - Resolved
- 10-02 Inaccurate and Untimely Financial Statements and Reconciliations - Resolved
- 10-03 Unpaid Payroll Taxes - Resolved
- 10-04 Accounting Policies and Procedures - Resolved
- 10-05 ATM Supporting Documentation Inadequate - Resolved
- 10-06 Segregation of Accounting Duties - Resolved
- 10-07 Adequate Review of Invoices - Resolved
- 10-08 Violation of Louisiana State Bid Law - Resolved
- 10-09 Retainer Fees - Unresolved
- 10-10 Defined Contribution Plan – Employee Contributions - Resolved
- 10-11 Deposit Collateral - Unresolved
- 10-12 Delinquent Audit Report Submission – Resolved
- 10-13 Documentation of Required Proof of Eligibility – Resolved